

STATEMENT OF
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VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE
VETERANS' AFFAIRS SUBCOMMITTEE
ON OVERSIGHT AND INVESTIGATION
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

VA Construction Policy: Failed Plans Result in Plans That Fail

WASHINGTON, D.C.

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MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

On behalf of the nearly 2 million men and women of the Veterans of Foreign Wars of the United States (VFW) and our Auxiliaries, I would like to thank you for the opportunity to testify today regarding VA construction policy.

As the Department of Veterans Affairs (VA) strives to improve the quality and delivery of care for our wounded, ill and injured veterans, the facilities that provide that care continue to erode. With buildings that have an average age of 60 years, VA has a monumental task of replacing or expanding the existing medical facilities. From 2004 to 2010, utilization of VA health care facilities grew from 80 percent to 121 percent, while the conditions of these facilities declined from 81 percent to 71 percent over the same period of time.

In 2010, VA adopted the Strategic Capital Investment Planning (SCIP) process to identify current and future infrastructure needs. Based on this process, VA identified 130 major construction projects that need to be completed by 2021 to eliminate the current and future gaps in utilization and safety. The price tag to close these major construction gaps is between \$21 billion and \$25 billion. To even come close to accomplishing these projects, VA must maximize every dollar and implement processes that will expedite the construction process.

The VFW has identified four major areas that need to be addressed to ensure that construction projects are done in a more efficient and cost effective manner. First, VA must use the electronic Contract Management System (eCMS) to its fullest potential; second, VA needs to change from using the design-bid-build practice; third, VA must adopt a comprehensive facility master plan; and forth, VA should be using medical equipment planners on all major construction projects.

eCMS is VA's centralized electronic contract writing and management platform that is intended to replace the current contract writer. eCMS is designed to reduce costs, standardize the acquisition process, reduce workload and improve communication for any contract valued at \$25,000 or more.

Roll-out and utilization of eCMS has been slow. By VA's own account, usage has gone from 17 percent in 2008, to 77 percent in 2012. The VA Office of Acquisitions and Logistics and Construction (OALC) has mandated that all contracts costing more than \$25,000 must be processed through eCMS. However, design flaws within eCMS prevent it from being an effective tool in contract management and fiscal oversight, and causes contract officers who use the program to also write the contract through the National Acquisition Center's Contract Management system. Therefore, eCMS's information is incomplete and cannot be relied upon for making sound procurement decisions and causes contract officers to duplicate their effort, which results in inefficient use of time and resources.

VA projects that system upgrades to eCMS will be completed in 2014. Congress must ensure that the resources that are needed to complete these upgrades are available and they must provide oversight to confirm eCMS is being utilized. While the system is improving, OALC must follow through with its mandate to write contracts in eCMS, so OALC can consistently capture data, allowing them to make better acquisition decisions.

VA has historically relied on the design-bid-build project delivery system when entering into contracts to build major medical facility projects. Of the 50 current VA major medical facility projects, 43 of them are design-bid-build. With this model, an architect is selected to design a facility, the design documents are used to secure a bid, and then the successful contract bid holder builds the facility.

Design-bid-build projects often encounter disputes between the customer – VA in this case – and the construction contractor. Because these contracts are generally firm-fixed-price, based on the completed design, the construction contractor is usually responsible for cost overruns, unless VA and the contractor agree on any needed or proposed changes that occur with a change of scope, unforeseen site condition changes or design errors. VA and the contractor negotiate these changes through change orders. This process can become adversarial, because neither party wants to absorb the cost associated with the change, and each change order can add months to the project completion date.

The flaws of design-bid-build projects have become very apparent, highlighted by the delays in Orlando, Florida, where a new medical facility has been delayed by 39 months due mostly to change order disputes. This contract must be followed through to completion, but VA must use this as a lessons-learned and change their contracting model to an Architect-led design-build model.

A design-build project teams the architectural/engineering company and the construction contractor under one contract. This method can save VA up to six months of time by putting the design phase and the construction performance metric together. Placing the architect as the lead from start to finish, and having the construction contractor work side-by-side with the architect, allows the architect to be an advocate for VA. Also, the architect and the construction contractor

can work together early on in the design phase to reduce the number of design errors, and it also allows them to identify and modify the building plans throughout the project.

VA must also use master planning at all of its facilities. Master planning will allow VA to examine and project potential changes in technology, patient care practices and changes in veteran demographics. The new Las Vegas Medical Center is an example of not knowing the trend in the veteran population, causing the project to be delayed while the scope of the project was changed. Early on, VA only planned to expand an existing facility, later realizing that a much larger facility was needed to meet the needs of the veterans in the community. Having a thorough master plan could have eliminated some the 74-month delay in the construction of this facility.

The last area the VFW would like to discuss that has been identified as causing delays in medical facility construction is the purchase of medical equipment. VA wants to equip its facilities with the most up-to-date equipment. However, procuring medical equipment after the design of the facility inevitably causes building delays while the designs are redrawn, and in some cases some demolition of recently constructed areas must take place to accommodate the newly purchased medical equipment.

The VFW believes that VA would benefit from the use of medical equipment planners. Using these planners, which is an industry practice used by the Army Corps of Engineers and other federal agencies, places an experienced medical equipment expert at the disposal of the architect and construction contractor. When used properly, a medical equipment planner can work with the architect during the design phase and then the construction contractor during the build phase to ensure needed space, physical structure and electrical support are adequate for the purchased medical equipment, reducing change orders, work stoppages, and the demolition of newly built sections of a facility.

Using a medical equipment planner can reduce schedule delays and cost overruns. Using the Orlando facility as an example again, issues with the purchase of medical equipment caused cost overruns of more than \$10 million and construction had to be suspended until the issues were resolved.

It is important for VA to become more efficient at constructing facilities. Veterans have expectations that medical facilities will be available when VA first states what the completion date will be. It is obvious by looking at the number of delays and cost overruns that the contracting and building procedures that VA currently uses are antiquated and are costing VA millions of dollars more for each project and causing five to six year delays in much needed medical facilities. By implementing these four initiatives, future major construction projects will have better oversight, cost controls and more efficient procedures for unforeseen changes in the construction of facilities.

Mr. Chairman, this concludes my remarks and I look forward to any questions you or the Committee may have.

Information Required by Rule XI2(g)(4) of the House of Representatives

Pursuant to Rule XI2(g)(4) of the House of Representatives, VFW has not received any federal grants in Fiscal Year 2013, nor has it received any federal grants in the two previous Fiscal Years.